

A HISTORY OF CORPORATE RULE AND POPULAR PROTEST

A new populist movement has emerged to challenge corporate power and call for a more equitable economic order that protects traditional cultures and ecosystems and promotes sustainability.

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The corporation was invented early in the colonial era as a grant of privilege extended by the Crown to a group of investors, usually to finance a trade expedition. The corporation limited the liability of investors to the amount of their investment—a right not held by ordinary citizens. Corporate charters set out the specific rights and obligations of the individual corporation, including the amount to be paid to the Crown in return for the privilege granted.

Thus were born the East India Company, which led the British colonisation of India, and Hudson's Bay Company, which accomplished the same purpose in Canada. Almost from the beginning, Britain deployed state military power to further corporate interests—a practice that has continued to the present. Also from the outset, corporations began pressuring government to expand corporate rights and to limit corporate responsibilities.

The corporation was a legal invention—a socio-economic mechanism for concentrating and deploying human and economic power. The purpose of the corporation was and is to generate profits for its investors. As an entity, it has no other purpose; it acknowledges no higher value.

Many people understood early on that since corporations do not serve society as a whole, but only their investors, there is therefore always a danger that the interests of corporations and those of the general populace will come into conflict. Indeed, the United States was born of a revolution not just against the British monarchy but against the power of corporations. Many of the American colonies had been chartered as corporations (the Virginia Company, the Carolina Company, the Maryland Company, etc.) and were granted monopoly power over lands and industries considered crucial to the interests of the Crown.

Much of the literature of the revolutionaries was filled with denunciations of the "long train of abuses" of the Crown and its instruments of dominance, the corporations. As the yoke of the Crown corporations was being thrown off, Thomas Jefferson railed against "the general prey of the rich on the poor". Later, he warned the new nation against the creation of "immortal persons" in the form of corporations. The American revolutionaries resolved that the authority to charter corporations should lie not with governors, judges or generals, but only with elected legislatures.

At first, such charters as were granted were for a fixed time, and legislatures spelled out the rules each business should follow. Profit-making corporations were chartered to build turnpikes, canals and bridges, to operate banks and to engage in industrial manufacture. Some citizens argued against even these few, limited charters, on the grounds that no business should be granted special privileges and that owners should not be allowed to hide behind legal shields. Thus the requests for many charters were denied, and existing charters were often revoked. Banks were kept on a short leash, and (in most states) investors were held liable for the debts and harms caused by their corporations.

All of this began to change in the mid-19th century. According to Richard Grossman and Frank Adams in *Taking Care of Business*: "Corporations were abusing their charters to become conglomerates and trusts. They were converting the nation's treasures into private fortunes, creating factory systems and company towns. Political power began flowing to absentee owners intent upon dominating people and nature."¹

Grossman and Adams note that: "In factory towns, corporations set wages, hours, production processes and machine speeds. They kept blacklists of labor organizers and workers who spoke up for their rights. Corporate officials forced employees to accept humiliating conditions, while the corporations agreed to nothing."

The authors quote Julianna, a Lowell, Massachusetts, factory worker, who wrote: "Incarcerated within the walls of a factory, while as yet mere children, drilled there from five till seven o'clock, year after year...what, we would ask, are we to expect, the same system of labor prevailing, will be the mental and intellectual character of future generations...a race fit only for corporation tools and time-serving slaves?... Shall we not hear the response from every hill and vale: 'Equal rights, or death to the corporations?'"

Industrialists and bankers hired private armies to keep workers in line, bought newspapers and (quoting Grossman and Adams again): "...painted politicians as villains and businessmen as heroes. Bribing state legislators, they then announced legislators were corrupt, that they used too much of the public's resources and time to scrutinise every charter application and corporate operation. Corporate advocates campaigned to replace existing chartering laws with general incorporation laws that set up simple administrative procedures, claiming this would be more efficient. What they really wanted was the end of legislative authority over charters."

During the Civil War, government spending brought corporations unprecedented wealth. "Corporate managers developed the techniques and the ability to organise production on an ever grander scale," according to Grossman and Adams. "Many corporations used their wealth to take advantage of war and Reconstruction years to get the tariff, banking, railroad, labor, and public lands legislation they wanted."

In 1886, the US Supreme Court declared that corporations were henceforth to be considered "persons" under the law, with all of the constitutional rights that designation implies.

The Fourteenth Amendment to the Constitution, passed to give former slaves equal rights, has been invoked approximately ten times more frequently on behalf of corporations than on behalf of African Americans. Likewise the First Amendment, guaranteeing free speech, has been invoked to guarantee corporations the "right" to influence the political process through campaign contributions, which the courts have equated with "speech".

If corporations are "persons", they are persons with qualities and powers that no flesh-and-blood human could ever possess—immortality, the ability to be in many places at once, and (increasingly) the ability to avoid liability. They are also "persons" with no sense of moral responsibility, since their only legal mandate is to produce profits for their investors.

Throughout the late 19th and early 20th centuries, corporations reshaped every aspect of life in America and much of the rest of the world. The factory system turned self-sufficient small farmers into wage-earners and transformed the family from an interdependent economic production unit to a consumption-oriented collection of individuals with separate jobs. Advertising turned productive citizens into "consumers". Business leaders campaigned to create public schools to train children in factory-system obedience to schedules and in the performance of isolated, meaningless tasks. Meanwhile, corporations came to own and dominate sources of information and entertainment, and to control politicians and judges.

During two periods, corporations faced a challenge: the 1890s

(a depression period when Populists demanded regulation of railroad rates, heavy taxation of land held only for speculation, and an increase in the money supply), and the 1930s (when a profound crisis of capitalism led hundreds of thousands of workers and armies of the unemployed to demand government regulation of the economy and to win a 40-hour week, a minimum-wage law, the right to organise, and the outlawing of child labour). But in both cases, corporate capitalism emerged intact.

In the words of historian Howard Zinn: "The rich still controlled the nation's wealth, as well as its laws, courts, police, newspapers, churches, colleges. Enough help had been given to enough people to make Roosevelt a hero to millions, but the same system that had brought depression and crisis...remained."²

World War II, like previous wars, brought huge profits to corporations via government contracts. But following this war, military spending was institutionalised, ostensibly to fight the "Cold War". Despite occasional regulatory setbacks, corporations seized ever more power, and increasingly transcended national boundaries, loyalties and sovereignties altogether.

GLOBAL PILLAGE

In the 1970s, capitalism faced yet another challenge as postwar growth subsided and profits fell. The US was losing its dominant position in world markets; the production of oil from its domestic wells was peaking and beginning to fall, thus making America increasingly dependent upon oil imports from Arab countries; the Vietnam War had weakened the American economy; and Third World countries were demanding a "North-South dialogue" leading towards greater self-reliance for poorer

countries. President Nixon responded by doing away with fixed currency exchange rates and devaluing the dollar, largely erasing US war debts to other countries. Later, newly elected President Reagan, at the 1981 Cancún, Mexico, meeting of 22 heads of state, refused to discuss new financial arrangements with the Third World, thus effectively endorsing their further exploitation by corporations.

Meanwhile, the corporations themselves also responded with a new strategy. Increased capital mobility (made possible by floating exchange rates and new transportation, communication and production technologies) allowed US corporations to move production offshore to "export processing zones" in poorer countries. Corporations also undertook a restructuring process, moving toward "networked production"—in which big firms, while retaining and consolidating power, hired smaller firms to take over aspects of supply, manufacture, accounting and transport. (Economist Bennett Harrison defined networked production as "concentration of control combined with decentralization of production".) This restructuring process is also known as "downsizing", because it results in the shedding of higher-paid employees by large corporations and the hiring of low-wage contingent workers by smaller subcontractors.

Jeremy Brecher and Tim Costello write in *Global Village or Global Pillage* that: "As the economic crisis deepened, there gradually evolved...a 'supra-national policy arena' which included new organizations like the Group of Seven (G7) industrial nations and NAFTA and new roles for established international organisations like EU, IMF, World Bank, and GATT. The

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policies adopted by these international institutions allowed corporations to lower their costs in several ways. They reduced consumer, environmental, health, labor, and other standards. They reduced business taxes. They facilitated the move to lower wage areas and threat of such movement. And they encouraged the expansion of markets and the 'economies of scale' provided by larger-scale production."³

All of this has led to a globalised economy in which (again quoting Brecher and Costello): "All over the world, people are being pitted against each other to see who will offer global corporations the lowest labor, social, and environmental costs. Their jobs are being moved to places with inferior wages, lower business taxes, and more freedom to pollute. Their employers are using the threat of 'foreign competition' to hold down wages, salaries, taxes, and environmental protections and to replace high-quality jobs with temporary, part-time, insecure, and low-quality jobs. Their government officials are justifying cuts in education, health, and other services as necessary to reduce business taxes in order to keep or attract jobs."

Corporations, no longer bound by national laws, prowl the world looking for the best deals on labour and raw materials. Of the world's top 120 economies, nearly half are corporations, not countries. Thus the power of citizens in any nation to control corporations through whatever democratic processes are available to them is receding quickly.

In November 1999, tens of thousands of students, union members and indigenous peoples gathered in Seattle to protest a meeting of the World Trade Organization (WTO). This mass demonstration seemed to signal the birth of a new global populist uprising against corporate globalisation. In the three years since then, more mass demonstrations—some larger, many smaller—have occurred in Genoa, Melbourne, Milan, Montreal, Philadelphia, Washington and other cities.

In January 2001, George W. Bush and Dick Cheney took office, following a deeply flawed US election. With strong ties to the oil industry and to the huge energy-trading corporation Enron, the new administration quickly proposed a national energy policy that focused on opening federally protected lands for oil exploration and on further subsidising the oil industry.

Enron, George W. Bush's largest campaign contributor, was the seventh largest corporation in the US and the 16th largest in the world. Despite its reported massive profits, it had paid no taxes in four out of the previous five years. The company had thousands of offshore partnerships, through which it had hidden over a billion dollars in debt. When this hidden debt was disclosed in October 2001, the company imploded. Its share price collapsed and its credit rating was slashed. Its executives resigned in disgrace, taking with them multimillion-dollar bonuses, while employees and stockholders shouldered the immense financial loss. Enron's bankruptcy was the largest in corporate history up to that time, but its creative accounting practices appear to be far

from unique, with dozens of other corporations poised for a similar collapse.

Following the outrageous and tragic attacks of September 11, Bush launched a "War on Terror", raising the listed number of potential target countries from three to nearly 50, most having exportable energy resources. With Iraq (holder of the world's second-largest proven petroleum reserves) high on the list of enemy regimes to be violently overthrown, the Bush administration's Terror War appeared to be geared toward making the world safe for the expanded reach of US oil corporations. Meanwhile, new laws and executive orders curtailed constitutional rights and erected screens of secrecy around government actions and decision-making processes.

It remains to be seen how the American populace will react to these new developments. Here again, a little history may help us understand the options available.

HURDLES IN THE PATH

The Populism of the 1890s failed for two main reasons: divisiveness within, and co-optation from without. While many Populist leaders saw the need for unity among people of different racial and ethnic backgrounds in attacking corporate power, racism was strong among many whites. Most of the Alliance leaders were white farm owners who failed in many instances to support the organising efforts of poor rural blacks, and poor whites as well, thus dividing the movement.

"On top of the serious failures to unite blacks and whites, city workers and country farmers," writes Howard Zinn, "there was the lure of electoral politics... Once allied with the Democratic party in supporting William Jennings Bryan for President in 1896...the pressure for electoral victory led Populism to make deals with the major parties in city after city. If the Democrats won, it would be absorbed. If the Democrats lost, it would disintegrate. Electoral politics brought into the top leadership the political brokers instead of the

agrarian radicals... In the election of 1896, with the Populist movement enticed into the Democratic party, Bryan, the Democratic candidate, was defeated by William McKinley, for whom the corporations and the press mobilised, in the first massive use of money in an election campaign."⁴

Today, a new populist movement could easily fall prey to the same internal divisions and tactical errors that destroyed its counterpart a century ago. In the recent American presidential election, populists faced the choice of supporting their own candidate (Ralph Nader) and thereby contributing to the election of the far-right, pro-corporate Republican candidate (Bush), or supporting the centrist Gore and seeing their movement co-opted by pro-corporate Democrats.

Meanwhile, though African Americans, Asian Americans, Hispanic Americans, European Americans and Native Americans have all been victimised by corporations, class divisions and historical resentments often prevent them from organising to

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further their common interests. In recent elections, ultra-right candidate Pat Buchanan appealed simultaneously to "populist" anti-corporate and anti-government sentiments among the working class, as well as to xenophobic white racism. Buchanan's critique of corporate power was shallow, but it was often the only such critique permitted in the corporate-controlled media. One cannot help but wonder: were the corporations looking for a lightning rod to rechannel the anger building against them?

While Buchanan had no chance of winning the presidency, his candidacy did raise the spectre of another kind of solution to the emerging crisis of popular resentment against the system—a solution that again has roots in the history of the past century.

A FALSE REVOLUTION

In the early 1900s, workers in Italy and Germany built strong unions and won substantial concessions in wages and work conditions; still, after World War I they suffered under a disastrous postwar economy, which fanned unrest. During the early 1920s, heavy industry and big finance were in a state of near-total collapse. Bankers and agribusiness associations offered financial support to Mussolini—who had been a socialist before the war—to seize state power, which he effectively did in 1922 following his march on Rome. Within two years, the Fascist Party (from the Latin *fasces*, meaning a bundle of rods and an axe, symbolising Roman state power) had shut down all opposition newspapers, crushed the socialist, liberal, Catholic, democratic and republican parties (which had together commanded about 80 per cent of the vote), abolished unions, outlawed strikes and privatised farm cooperatives.

In Germany, Hitler led the Nazi Party to power, then cut wages and subsidised industries.

In both countries, corporate profits ballooned. Understandably, given their friendliness to big business, Fascism and Nazism were popular among some prominent American industrialists (such as Henry Ford) and opinion shapers (like William Randolph Hearst).

Fascism and Nazism relied on centrally controlled propaganda campaigns that cleverly co-opted the language of the Left (the Nazis called themselves the National Socialist German Workers Party—while persecuting socialists and curtailing workers' rights). Both movements also made calculated use of emotionally charged symbolism: scapegoating minorities, appealing to mythic images of a glorious national past, building a leader cult, glorifying war and conquest, and preaching that the only proper role of women is as wives and mothers.

As political theorist Michael Parenti points out, historians often overlook Fascism's economic agenda—the partnership between Big Capital and Big Government—in their analysis of its authoritarian social program. Indeed, according to Bertram Gross in his startlingly prescient *Friendly Fascism* (1980), it is possible to achieve fascist goals within an ostensibly democratic society.⁵ Corporations themselves, after all, are internally authoritarian (courts have ruled that citizens give up their constitutional rights to free speech, freedom of assembly, etc., when they are at work on corporate-owned property); and as corporations increasingly dominate politics, media and economy, they can mould an entire society to serve the interests of a powerful elite without ever

resorting to stormtroopers and concentration camps. No deliberate conspiracy is necessary, either: each corporation merely acts to further its own economic interests. If the populace shows signs of restlessness, politicians can be hired to appeal to racial resentments and memories of national glory, dividing popular opposition and inspiring loyalty.

In the current situation, "friendly fascism" works somewhat as follows. Corporations drive down wages and pay a dwindling share of taxes (through mechanisms outlined above), gradually impoverishing the middle class and creating unrest. As corporate taxes are cut, politicians (whose election was funded by corporate donors) argue that it is necessary to reduce government services in order to balance the budget. Meanwhile, the same politicians argue for an increase in the repressive functions of government (more prisons, harsher laws, more executions, more military spending). Politicians channel the middle class's rising resentment away from corporations and toward the government (which, after all, is now less helpful and more repressive than it used to be) and against social groups easy to scapegoat (criminals, minorities, teenagers, women, gays, immigrants).

Meanwhile, debate in the media is kept superficial (elections are treated as sporting contests), and right-wing commentators are subsidised while left-of-centre ones are marginalised. People who feel cheated by the system turn to the Right for solace, and vote for politicians who further subsidise corporations, cut government services, expand the repressive power of the state and offer irrelevant scapegoats for social problems with economic roots. The process feeds on itself.

Within this scenario, George W. Bush (and similar ultra-right figures in other countries) are not anomalies but, rather, predictable products of a strategy adopted by economic elites—harbingers of a less-than-friendly

future—as the more "moderate" tactics for the maintenance and consolidation of power founder under the weight of corporate greed and resource exhaustion.

CAUSE FOR HOPE?

These circumstances are, in their details, unprecedented; but in broad outline we are seeing the re-enactment of a story that goes back at least to the beginning of civilisation. Those with power are always looking for ways to protect and extend it, and to make their power seem legitimate, necessary or invisible so that popular protest seems unnecessary or futile. If protest comes, the powerful always try to deflect anger away from themselves. The leaders of the new populist movement appear to have a good grasp of both the current circumstances and the historical ground from which these circumstances emerge. They seem to have realised that, in order to succeed, the new populism will have to:

- avoid being co-opted by existing political parties;
- heal race, class and gender divisions and actively resist any campaign to scapegoat disempowered social groups;
- avoid being identified with an ideological category—"communist", "socialist" or "anarchist"—against which most of the public is already well inoculated by corporate propaganda;

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- direct public discussion toward the most vulnerable link in the corporate chain of power: the legal basis of the corporation;

- internationalise the movement so that corporations cannot undermine it merely by shifting their base of operations from one country to another.

As Lawrence Goodwyn noted in his definitive work, *The Populist Moment*, the original Populists were "attempting to construct, within the framework of American capitalism, some variety of cooperative commonwealth". This was "the last substantial effort at structural alteration of hierarchical economic forms in modern America".⁶

In announcing the formation of the Alliance for Democracy, in an article in the August 14, 1996 issue of *The Nation*, activist Ronnie Dugger compiled a list of policy suggestions which comprise some of the core demands of the new populist movement. These include: a prohibition of contributions or any other political activity by corporations; single-payer national health insurance with automatic

universal coverage; a doubling of the minimum wage, indexed to inflation; a generic low-interest-rate national policy, entailing the abolition of the Federal Reserve System; statutory reversal of the court-made law that corporations are "persons"; establishment of a national public oil company; limitations on ownership of newspapers, magazines, radio and TV stations to one of any kind per person or owning entity; and the halving of military spending. The new populists are, in Ronnie Dugger's words, "ready to resume the cool eyeing of the corporations with a collective will to take back the powers they have seized from us".⁷

The new populism draws some of its inspiration from the work of the Program on Corporations, Law and Democracy (POCLAD), a populist "think-tank" that explores the legal basis of corporate power. POCLAD believes that it is possible to control—and, if necessary, dismantle—corporations by amending or revoking their charters.⁸

Since the largest corporations are now transnational in scope, the new populism must confront their abuses globally. The International Forum on Globalization (IFG)

was founded for this purpose in 1994, as an alliance of 60 activists, scholars, economists and writers (including Jerry Mander, Vandana Shiva, Richard Grossman, Ralph Nader, Helena Norberg-Hodge, Jeremy Rifkin and Kirkpatrick Sale), to stimulate new thinking and joint action along these lines.

In a position statement drafted in 1995, the International Forum on Globalization said that it: "...views international trade and investment agreements, including the GATT, the WTO, Maastricht and NAFTA, combined with the structural adjustment policies of the International Monetary Fund and the World Bank, to be direct stimulants to the processes that weaken democracy, create a world order in the control of transnational corporations and devastate the natural world... The IFG will study, publish and actively advocate in opposition to the current rush toward economic globalization, and will seek to reverse its direction. Simultaneously, we will advocate on behalf of a far more diversified, locally controlled, community-based economics... We believe that the creation of a more equitable economic order—based on principles of diversity,

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democracy, community and ecological sustainability—will require new international agreements that place the needs of people, local economies and the natural world ahead of the interests of corporations..."⁹

Leaders of the new populism appear to realise that anti-corporatism is not a complete solution to the world's problems; that the necessary initial focus on corporate power must eventually be supplemented by a more general critique of centralising and unsustainable technologies, money-based economics and current nation-state governmental structures, by efforts to protect traditional cultures and ecosystems, and by a renewal of culture and spirituality.

It would be foolish to underestimate the immense challenges to the new populism from the current US administration and from the jingoistic, bellicose post-September 11 public sentiment fostered by the corporate media. Nevertheless, POCLAD, the Alliance for Democracy and the IFG (along with dozens of human rights, environmental and anti-war organisations around the world)

provide important rallying points for citizens' self-defence against tyranny in its most modern, invisible, effective and even seductive forms.

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Richard is also author/editor/publisher of *MuseLetter*, a highly regarded monthly, subscription-only, alternative newsletter which is now in its tenth year of publication. *MuseLetter's* purpose is "to offer a continuing critique of corporate-capitalist industrial civilization and a re-visioning of humanity's prospects for the next millennium". His article, "A History of Corporate Rule and Popular Protest", was originally published in *MuseLetter* in 1996 as "The New Populism", and was revised in August 2002. Visit the *MuseLetter* website at <http://www.museletter.com>.